



Nestlé Good food, Good life

Creating Shared Value
and meeting our commitments
Nestlé Annual Review extract 2019



Nestlé.
Enhancing quality of life
and contributing
to a healthier future.

Our commitments

Our health, social and environmental commitments guide our efforts to be a force for good.

Business benefits and positive societal impact must be mutually reinforcing. This is the core of our Creating Shared Value approach to business. Our company can only be successful in the long term if we create value for all stakeholders.



For individuals and families

Over **1300**

new products were launched in 2019 addressing specific nutritional needs and gaps of babies, children, expecting women or new mothers

185.4 billion

servings of fortified food and beverages delivered in countries with higher vulnerability to micronutrient fortification

27.2 million

children reached through *Nestlé for Healthier Kids*

2.76 billion

portions of vegetables added to our foods and beverages



For our communities

211.9 million

coffee plantlets distributed (cumulative since 2010) to farmers, against a target of 220 million by 2020

Over **24 500**

job opportunities, traineeships or apprenticeships were offered to people under the age of 30 through our *Nestlé needs YOUth* initiative

70%

of the volume of our 15 priority categories of raw materials are responsibly sourced

429 800

farmers trained through capacity-building programs



For the planet

34%

reduction in greenhouse gas emissions per tonne of product since 2010 in our manufacturing operations

328

factories achieved zero waste for disposal

31%

reduction in direct water withdrawal per tonne of product since 2010 in our manufacturing operations

41%

of our electricity comes from renewable sources

Creating Shared Value



Nesquik: Acting on our pledge to tackle plastic packaging waste

The new Nesquik features a simplified, natural ingredients list and comes in a first of its kind recyclable paper pouch. The new solution is an example of how Nestlé is deploying more sustainable packaging across our product portfolio.

Creating Shared Value is fundamental to how we do business at Nestlé. We believe that our company can only be successful in the long term by creating value both for our shareholders and for society. Our activities and products should make a positive difference to society while contributing to Nestlé's ongoing success.

The business case for Creating Shared Value

Creating Shared Value is about ensuring long-term sustainable value creation for shareholders while tackling societal issues at the same time. Companies that create shared value demonstrate that business can be a force for good.

We focus our work on three interconnected impact areas: the individuals and families who place their trust in our products and brands, the communities where we operate and the planet. We are driven by our purpose to enhance quality of life and contribute to a healthier future. Our long-term ambitions are:

- For individuals and families, help 50 million children lead healthier lives.
- For our communities, improve 30 million livelihoods in communities directly connected to our business activities.
- For the planet, strive for zero environmental impact in our operations.

In order to achieve these ambitions, we have formulated a series of public commitments that we operationalize across our business. We report on our progress every year. Particular emphasis is on global initiatives to promote healthier lives for children, help young people access economic opportunities and demonstrate our protection of water resources. We also act decisively to tackle the current plastic pollution challenge and are working to become carbon neutral.



Further information

Find details of our management approach and governance structure, as well as performance data, case studies and additional content, in our annual online *Creating Shared Value – Progress Report* and in the section "Our impact" of our corporate website (www.nestle.com/csv).

Measuring shared value

We continue to explore ways to better measure the shared value we create and our impact. Our goal is to invest with greater confidence and continue to build trust with stakeholders by demonstrating tangible results. We welcome work in this area so that it can inform our own methodology and stimulate further debate on this important topic.



Shared value starts with understanding

Our approach to business is built top down and bottom up. We engage with stakeholders at every level to understand their reality. We use these insights to enhance the sustainability of our business by creating long-term partnerships that work to ensure the resilience and adaptability of our supply chains.



Working for a healthier future

We believe that by helping new generations eat and drink better and move more, we enhance quality of life and contribute to a healthier future. This is how we started more than 150 years ago and how we continue to act through our *Nestlé for Healthier Kids* initiative.

Nestlé. Enhancing quality of life and contributing to a healthier future.

Driven by our company purpose, we are committed to ambitious goals across three impact areas: individuals and families, communities and the planet. These align with and support the UN Sustainable Development Goals (SDGs). Our work touches billions of lives, from the farmers who grow our ingredients to the consumers who enjoy our products. We also strive to protect the natural capital on which we depend.

Status of our commitments

- New
- In progress
- Achieved

For individuals and families



Enabling healthier and happier lives

Our 2030 ambition is to help 50 million children lead healthier lives



Offering tastier and healthier choices

- Launch more foods and beverages that are nutritious, especially for mothers-to-be, new mothers, and infants and children
- Further decrease sugars, sodium and saturated fat
- Increase vegetables, fiber-rich grains, pulses, nuts and seeds in our foods and beverages
- Simplify our ingredient lists and remove artificial colors
- Address undernutrition through micronutrient fortification



Inspiring people to lead healthier lives

- Apply and explain nutrition information on packs, at point of sale and online
- Offer guidance on portions for our products
- Leverage our marketing efforts to promote healthy cooking, eating and lifestyles
- Empower parents, caregivers and teachers to foster healthy behaviors in children
- Support breastfeeding and protect it by continuing to implement an industry-leading policy to market breast-milk substitutes responsibly
- Inspire people to choose water to lead healthier lives
- Partner for promoting healthy food environments



Building, sharing and applying nutrition knowledge

- Build and share nutrition knowledge from the first 1000 days through to healthy aging
- Build biomedical science leading to health-promoting products, personalized nutrition and digital solutions



For our communities

Helping develop thriving, resilient communities



Our 2030 ambition is to improve 30 million livelihoods in communities directly connected to our business activities



Enhancing rural development and livelihoods

- Improve farm economics among the farmers who supply us
- Improve food availability and dietary diversity among the farmers who supply us
- Implement responsible sourcing in our supply chain and promote animal welfare
- Continuously improve our green coffee supply chain
- Roll out the *Nestlé Cocoa Plan* with cocoa farmers

Respecting and promoting human rights

- Assess and address human rights impacts across our business activities
- Improve workers' livelihoods and protect children in our agricultural supply chain
- Enhance a culture of integrity across the organization
- Provide effective grievance mechanisms to employees and stakeholders

Promoting decent employment and diversity

- Roll out our *Nestlé needs YOUth* initiative across all our operations
- Enhance gender balance in our workforce and empower women across the entire value chain
- Advocate for healthy workplaces and healthier employees

For the planet

Stewarding resources and the environment



Our 2030 ambition is to strive for zero environmental impact in our operations



Caring for water

- Work to achieve water efficiency and sustainability across all our operations
- Advocate for effective water policies and stewardship
- Engage with suppliers, especially those in agriculture
- Raise awareness on water conservation and improve access to water and sanitation across our value chain

Acting on climate change

- Provide climate change leadership
- Promote transparency and proactive, long-term engagement in climate policy

Safeguarding the environment

- Improve the environmental performance of our packaging
- Reduce food loss and waste
- Provide meaningful and accurate environmental information and dialogue
- Preserve natural capital



Enabling healthier and happier lives

Consumer preferences are evolving; we are developing our portfolio to reflect these changes. We are making our products more nutritious and natural. Our flagship initiative *Nestlé for Healthier Kids* is a driving force, guiding our efforts to help 50 million children lead healthier lives by 2030.

At a glance

Number of children reached through *Nestlé for Healthier Kids* (in million) **27.2**

Number of new nutritious products launched for babies, children, expecting women or new mothers **> 1300**

R&D investment (in CHF billion) **1.7**



Inspiring people to lead healthier lives

Supporting parents and caregivers by providing them with the information they need to build healthy habits for their families – this runs at the core of our *Nestlé for Healthier Kids* initiative. Through our product reformulation efforts, healthy nutrition programs, portion guidance and healthy recipes, we are promoting healthier eating behaviors in children.

Maggi

Maggi's Mum and Me cooking club in Thailand helps children learn cooking skills from their parents.





California Pizza Kitchen: Cauliflower Pizza

To satisfy the needs of health-conscious consumers looking to replace carbs with vegetables, our pizza business is leveraging on-trend ingredients to create a cauliflower crust.



Offering tastier and healthier choices

Consumers are increasingly aware of the nutritional value of different foods, yet taste remains the first criteria in choosing what we eat. We want to make a meaningful impact and to move fast to offer healthier versions of existing products to our consumers. However, we have to take the time to get it right. If the new, healthier version does not taste good, consumers will simply buy a less nutritious alternative that better suits their taste.



Building, sharing and applying nutrition knowledge

What we consume is vital in shaping our future health. Our scientists carefully study the links between health and nutrition at every stage of life, from birth to the golden years. Nestlé's R&D Accelerator based in Switzerland brings together Nestlé scientists, students and start-ups to advance science and technology. Its objective is to accelerate the development of innovative products and systems. This way, we will be able to better address the specific nutritional requirements of different consumers.



Materna Opti-Lac

Materna Opti-Lac contains a patented probiotic strain, *L. fermentum* LC40, naturally found in breastmilk of healthy mothers. The supplement, backed by microbiome research, is clinically proven to reduce the incidence and severity of breast pain and mastitis. These painful inflammatory conditions can affect up to one-in-three mothers during breastfeeding.

Helping develop thriving, resilient communities

We work with farmers and suppliers across the world, aiming to develop thriving communities, support rural development, and promote gender equality and respect for human rights. Through our *Nestlé needs YOUth* initiative, we aim to help 10 million young people worldwide access economic opportunities by 2030.

At a glance

Percentage of the volume of our 15 priority categories of raw materials that is responsibly sourced

70%

Percentage of Nestlé's leadership roles held by women

42%

Number of young people reached through *Nestlé needs YOUth*

> 900 000



Enhancing rural development and livelihoods

Nestlé's coffee sustainability programs aim at supporting rural development and ensuring the long-term supply of coffee. They help address agricultural challenges, from aging farm populations and low farmer incomes to climate change and farming practices. Through *Farmer Connect*, the *Nescafé Plan* and the *Nespresso AAA Sustainability Quality Program* – including its *Reviving Origins*, a new program to restore coffee farming in regions where it is under threat – we work with hundreds of thousands of farmers to improve their economics and the livelihoods for them and their communities.



Nespresso

Since 2018, Nespresso has been working with the Hispanic Federation and coffee farmers in Puerto Rico to help revitalize their coffee crop after hurricanes Maria and Irma destroyed 80 percent of the island's coffee trees and harvest. This partnership culminated with the launch of *Cafecito de Puerto Rico*, Nespresso's first Puerto Rican coffee, available exclusively to consumers in the U.S.

Respecting and promoting human rights

Our human rights work is embedded in our activities and policies, and we make training in key human rights issues available to all our employees.

We are committed to respecting and promoting human rights throughout our value chain and work with expert organizations to proactively identify and resolve issues. Through our 'Tell Us' grievance mechanism people can report specific complaints and raise concerns of policy breaches. Each concern is investigated, and we design and implement action plans to rectify issues.



KitKat

Through the *Nestlé Cocoa Plan* we work to improve the lives of farmers and address the root causes of child labor in our cocoa supply chain. All chocolate for *KitKat* is sourced through our *Nestlé Cocoa Plan*.



Promoting decent employment and diversity

A business thrives when it has a healthy, diverse and engaged workforce that reflects society. Cultural diversity makes businesses stronger, as it brings innovation and encourages different ways of thinking. We have a particular focus on gender balance. Our *Nestlé Gender Balance Acceleration Plan*, launched in 2019, includes a series of actions to champion equality throughout our business and increase women's representation at senior levels.

Parent leave

We believe that good parenting starts from day one. We are extending parental leave for primary caregivers, from 14 to 18 weeks of fully-paid leave. Secondary caregivers will also be entitled to take four weeks leave on full pay.



Stewarding resources and the environment

We want to be a more sustainable business, for a more sustainable society. This means protecting biodiversity and natural resources, while encouraging others to act responsibly. Our ambition is to strive for zero environmental impact in our operations. We have public commitments to use sustainably-managed and renewable resources, operate more efficiently, achieve zero waste for disposal and improve water management.

At a glance

Number of zero water factories **20**

Percentage of reduction in greenhouse gas emissions per tonne of product since 2010 in our manufacturing operations **34%**

Packaging avoided since 2015 (in tonnes) **>142 000**



Caring for water

We believe that access to water is a basic human right for everyone. It is a precious resource and we are committed to protecting it for the future. We are cutting water use in our factories and working with farmers globally to improve water efficiency in our supply chain. We also partner with organizations such as the Ghana Red Cross Society to increase access to safe water, sanitation and hygiene. We have certified 27 Nestlé Waters bottling facilities with the Alliance for Water Stewardship (AWS) standard, which recognizes sustainable water governance. We are committed to certifying all our bottled water production sites by 2025.

Nestlé Waters

Nestlé Waters has been engaged in long-term collaborative solutions, at both factory and watershed level, to preserve the quantity and quality of local water resources.





Acting on climate change

The impacts of climate change are already apparent. It is a global issue that will affect everyone. We are innovating to reduce our environmental footprint, in line with our commitment to achieve net zero carbon emissions by 2050. This supports the ambitious 1.5°C target outlined in the Intergovernmental Panel on Climate Change's latest report. To thrive, businesses must be resilient to the risks of climate change. We conducted a high-level assessment of physical and transitional risks for several of our key commodity supply chains using a number of climate scenarios.



Garden Gourmet

Launching more plant-based products with a better environmental footprint is a key part of our strategy to achieve zero net greenhouse gas emissions by 2050.

Purina

In Mexico, Chile and Switzerland, Purina PetCare sells dry pet food without single-use packaging. Consumers can bring and fill their own reusable containers.



Safeguarding the environment

We are committed to using natural resources sustainably. In 2019, we joined One Planet Business for Biodiversity (OP2B), scaling up efforts to protect and restore biodiversity. We continued to work to make our supply chains deforestation-free, with over 90% of our commodities set to be verified deforestation-free by the end of 2020. Nestlé's efforts will not stop there – we will continue to work with smallholder farmers and large suppliers alike to be close to 100% deforestation-free within the next three years. In addition, as part of our vision for a waste-free future, we inaugurated our Nestlé Institute of Packaging Sciences. It will be instrumental in achieving our commitment to make 100% of our packaging recyclable or reusable by 2025.

Protecting the environment requires a multifaceted approach. In 2019, thousands of Nestlé employees, together with their families and friends, took part in clean-up activities worldwide. These clean-ups – organized within the framework of *Nestlé Cares*, our global volunteering program – took place in parks, forests, and on beaches, riverbanks and lakeshores. A total of 13 000 people participated in clean-up events throughout the year, with participation recorded across 80 countries and in close to 180 different locations.

Stakeholder engagement

Our global stakeholder network includes investors, multilateral organizations, governments, NGOs, academia, local communities, suppliers, consumers and customers. One way we engage with our stakeholders is through regular convenings, providing opportunities to highlight issues that are important to them. The outcomes of these convenings are then communicated to senior management so actions can be taken to address concerns. Our most recent stakeholder convening was held in London in 2019. Seventy stakeholders were present, as well as Nestlé’s CEO, U. Mark Schneider, two members of Nestlé’s Executive Board and 15 Nestlé employees. Three themes were covered during the two-day event: nutrition in the first 1000 days, diversity and inclusion, and plastic packaging.

Our performance in leading indices

We are not driven by awards and recognition, but we are proud to have our sustainability efforts and achievements acknowledged by world-leading ratings and rankings agencies:

| | |
|--|---|
|  | Nestlé has been consistently listed in the FTSE4Good Responsible Investment Index since 2011. |
|  | Ranked first out of 22 global food and beverage manufacturers in the 2018 Access to Nutrition Index (ATNI) . |
|  | In 2019, Nestlé was rated AA by the MSCI ESG Research according to its performance on environmental, social and governance (ESG) issues. |
|  | Nestlé maintained its top scores in the categories of health & nutrition, environmental & management policy, packaging, and water risks. |
|  | Retained our place in CDP ’s Climate A list. |

The materiality process

Every two years, we conduct a thorough materiality analysis. This helps us identify the economic, social and environmental issues that matter most to our business and our stakeholders.

Nestlé materiality matrix (as assessed in 2018)

| Importance to stakeholders | Major | <ul style="list-style-type: none">● Natural resource and water stewardship● Climate change | <ul style="list-style-type: none">● Supply chain stewardship● Over and undernutrition | |
|----------------------------|-------------|---|---|---|
| | Significant | <ul style="list-style-type: none">● Women's empowerment● Community relations | <ul style="list-style-type: none">● Rural development and poverty alleviation● Human rights● Business ethics● Responsible marketing and influence● Product quality● Food and nutrition security● Resource efficiency, (food) waste and the circular economy● Land management in the supply chain | <ul style="list-style-type: none">● Food and product safety● Changing consumer demographics and trends● Product packaging and plastic |
| | Moderate | <ul style="list-style-type: none">● Animal welfare● Employee safety, health and wellness● Fair employment and equal opportunities | <ul style="list-style-type: none">● Product regulation and taxation● Geopolitical uncertainty● Responsible use of technology● Data privacy and cyber security | |
| | | Moderate | Significant | Major |
| Impact on Nestlé's success | | | | |

| For individuals and families  | For our communities  | For the planet  |
|---|---|--|
| <ul style="list-style-type: none"> Over and undernutrition Responsible marketing and influence Product quality Food and product safety Changing consumer demographics and trends Food and nutrition security Data privacy and cyber security | <ul style="list-style-type: none"> Supply chain stewardship Women's empowerment Product regulation and taxation Human rights Animal welfare Business ethics Employee safety, health and wellness Geopolitical uncertainty Fair employment and equal opportunities Responsible use of technology Community relations Rural development and poverty alleviation | <ul style="list-style-type: none"> Natural resource and water stewardship Resource efficiency, (food) waste and the circular economy Land management in the supply chain Climate change Product packaging and plastic |